

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Ann Grimley	Board President	2013
Tami Gillmore	Board Member	2015
Dennis Thies	Board Member	2015
Todd Nulle	Board Member	2015
Judy Studt	Board Member	2013

School Officials

Terry Rhinehart	Superintendent	2011
Stacey Matus	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Springville Community School District, Springville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Springville Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 27, 2012 on my consideration of Springville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
February 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Springville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,070,073 in fiscal 2010 to \$4,439,532 in fiscal 2011, and General Fund expenditures decreased from \$3,864,621 in fiscal 2010 to \$3,806,458 in fiscal 2011. The District's General Fund balance increased from \$817,378 in fiscal 2010 to \$1,433,927 in fiscal 2011, a 75% increase.
- The increase in General Fund revenue was due to the American Recovery and Reinvestment Act funds being replaced with State Aid and increased property tax revenue. The decrease in expenditures was due primarily to reduction in instructional expenses, support service expenses, and transportation costs due to the elimination of one bus route. One reason the General Fund balance increased is because of the District's continued efforts to decrease expenditures for fiscal 2011. As a result, the District was able to increase its General Fund ending balance by \$616,549. The General Fund balance at June 30, 2011 was \$1,433,927 or 37.7% of the General Fund expenses.
- The District was able to grow its unspent authorized budget from \$1,379,713 to \$1,706,759 a 23.7% increase from FY10 to FY11.
- The District's general fund solvency ratio (unassigned fund balance/general fund revenues) at June 30, 2011 was 30%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Springville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Springville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Springville Community School District Annual Financial Report

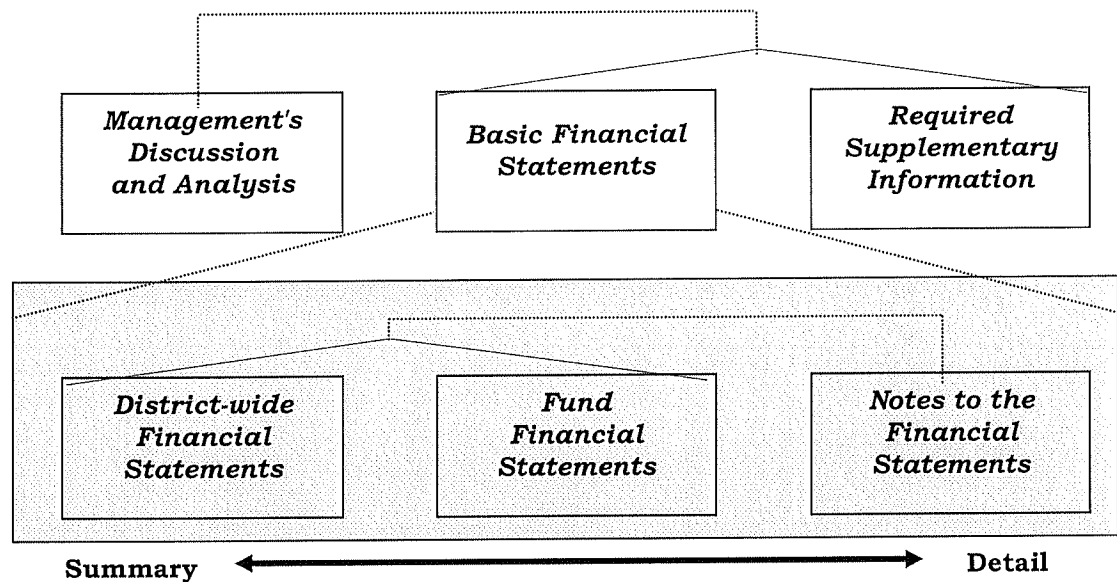


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator

of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Current and other assets	\$ 4,717,817	\$ 5,748,719	\$ 49,466	\$ 40,458	\$ 4,767,283	\$ 5,789,177	-17.65%
Capital assets	<u>4,921,930</u>	<u>3,262,680</u>	<u>45,230</u>	<u>18,695</u>	<u>4,967,160</u>	<u>3,281,375</u>	51.37%
Total assets	<u>9,639,747</u>	<u>9,011,399</u>	<u>94,696</u>	<u>59,153</u>	<u>9,734,443</u>	<u>9,070,552</u>	7.32%
Long-term liabilities	3,632,004	3,812,941	-	-	3,632,004	3,812,941	-4.75%
Other liabilities	<u>2,337,469</u>	<u>2,515,101</u>	<u>19,062</u>	<u>38,640</u>	<u>2,356,531</u>	<u>2,553,741</u>	-7.72%
Total liabilities	<u>5,969,473</u>	<u>6,328,042</u>	<u>19,062</u>	<u>38,640</u>	<u>5,988,535</u>	<u>6,366,682</u>	-5.94%
Net assets							
Invested in capital assets,							
net of related debt	1,371,930	928,626	45,230	18,695	1,417,160	947,321	49.60%
Restricted	842,151	829,106	-	-	842,151	829,106	1.57%
Unrestricted	<u>1,456,193</u>	<u>925,625</u>	<u>30,404</u>	<u>1,818</u>	<u>1,486,597</u>	<u>927,443</u>	60.29%
Total net assets	<u>\$ 3,670,274</u>	<u>\$ 2,683,357</u>	<u>\$ 75,634</u>	<u>\$ 20,513</u>	<u>\$ 3,745,908</u>	<u>\$ 2,703,870</u>	38.54%

The District's combined net assets increased by approximately 39%, or \$1,042,038, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$13,045, or approximately 2% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$559,154, or approximately 60%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 432,367	\$ 477,208	\$ 180,130	\$ 149,304	\$ 612,497	\$ 626,512	-2.24%
Operating grants	761,793	801,947	66,650	67,478	828,443	869,425	-4.71%
General revenues							
Property tax	1,887,018	1,798,769	-	-	1,887,018	1,798,769	4.91%
Statewide sales, services and use tax	397,146	460,294	-	-	397,146	460,294	-13.72%
Unrestricted state grants	1,766,966	1,488,616	-	-	1,766,966	1,488,616	18.70%
Contributions and donations	2,450	1,324	-	-	2,450	1,324	85.05%
Unrestricted investment earnings	8,522	15,380	4	3	8,526	15,383	-44.58%
Other	<u>3,360</u>	<u>36,797</u>	<u>-</u>	<u>-</u>	<u>3,360</u>	<u>36,797</u>	-90.87%
Total revenues	<u>5,259,622</u>	<u>5,080,335</u>	<u>246,784</u>	<u>216,785</u>	<u>5,506,406</u>	<u>5,297,120</u>	3.95%
Program expenses							
Governmental activities							
Instruction	2,510,086	2,692,177	-	-	2,510,086	2,692,177	-6.76%
Support services	1,287,324	1,249,165	-	-	1,287,324	1,249,165	3.05%
Non-instructional programs	-	-	209,905	218,702	209,905	218,702	-4.02%
Other expenses	<u>457,053</u>	<u>802,017</u>	<u>-</u>	<u>-</u>	<u>457,053</u>	<u>802,017</u>	-43.01%
Total expenses	<u>4,254,463</u>	<u>4,743,359</u>	<u>209,905</u>	<u>218,702</u>	<u>4,464,368</u>	<u>4,962,061</u>	-10.03%
Change in net assets	1,005,159	336,976	36,879	(1,917)	1,042,038	335,059	211.00%
Transfers	(18,242)	(23,849)	18,242	23,849	-	-	0.00%
Net assets, beginning of year	<u>2,683,357</u>	<u>2,370,230</u>	<u>20,513</u>	<u>(1,419)</u>	<u>2,703,870</u>	<u>2,368,811</u>	14.14%
Net assets, end of year	<u>\$ 3,670,274</u>	<u>\$ 2,683,357</u>	<u>\$ 75,634</u>	<u>\$ 20,513</u>	<u>\$ 3,745,908</u>	<u>\$ 2,703,870</u>	38.54%

In fiscal 2011, property tax and unrestricted state grants account for 69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$5,506,406 of which \$5,259,622 was for governmental activities and \$246,784 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4% increase in revenues and a 10% decrease in expenses. Unrestricted state grants increased by \$278,350 due largely to the replacement of the American Recovery and Reinvestment Act funds by State Aid. The decreases in expenditures for instructional activities were due to staff reductions and sharing opportunities. The decrease in transportation costs was due to the elimination of one bus route. The District's expenses primarily relate to instruction and support services which accounted for 89.25% of total expenditures.

Governmental Activities

Revenues for governmental activities were \$5,259,622 and expenses were \$4,254,463 for the year ended June 30, 2011. The District was able to balance the budget by reducing expenses by staff/FTE reductions and operational expenses. The District increased the cash reserve levy for FY11 due to funding uncertainties from the State of Iowa.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Instruction	\$ 2,510,086	\$ 2,692,177	-6.8%	\$ 1,498,634	\$ 1,596,825	-6.1%
Support services	1,287,324	1,249,165	3.1%	1,280,676	1,240,377	3.2%
Other expenses	<u>457,053</u>	<u>802,017</u>	-43.0%	<u>280,993</u>	<u>627,002</u>	-55.2%
Total expenses	<u>\$ 4,254,463</u>	<u>\$ 4,743,359</u>	-10.3%	<u>\$ 3,060,303</u>	<u>\$ 3,464,204</u>	-11.7%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$432,367.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$761,793.
- The net cost of governmental activities was financed with \$2,284,164 in property and other taxes and \$1,766,966 in unrestricted state grants.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2011 were \$246,784 representing a 14% increase over the prior year and expenses totaled \$209,905, a 4% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for services, tuition, federal and state reimbursements and investment income.

The increase in revenue was due to an EMC insurance settlement received in FY11 for embezzlement from the School Nutrition Fund in which the State Auditor's report, dated July 7, 2010, identified \$55,171 of undeposited collections and improper and unsupported disbursements for the time period of July 1, 2005 – March 31, 2009. The decrease in expenditures was due to a decrease in food purchases in the School Nutrition Fund. FY11 was the first year for the District to receive the State Voluntary Preschool Grant the 4 year old program which enabled the District to reduce expenditures in the Preschool Fund.

INDIVIDUAL FUND ANALYSIS

As previously noted, Springville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,299,985 well below last year's ending fund balances of \$3,141,422. The primary reason for the decrease of \$841,437 in combined fund balances in fiscal 2011 is due to using bond proceeds from the previous year to fund a construction project in 2011.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in property tax valuations, increase in property tax levies, and increased State Aid resulted in an increase in revenues. The District was also able to keep expenditures in check by decreasing operational expenditures and reduction in staff.
- The General Fund balance increased from \$817,378 to \$1,433,927, due in part to the increase in the District tax base, the reduction of expenditures, and the reduction in staff.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance decreased from \$1,807,485 to \$402,632 due to the completion of the construction projects to the Springville secondary building in FY11.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$20,513 at June 30, 2010 to \$75,634 at June 30, 2011, representing an increase of more than 250%. FY11 is the first year the District received funding from the State Preschool Grant. Insurance settlement received in the amount of \$50,000 from EMC to the Nutrition Fund based on the State Auditor investigation dated July 7, 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time by \$531,000 to reflect additional expenditures associated with the construction project.

The District's revenues were \$237,375 less than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving less in state revenue sources than anticipated.

Total expenditures were \$1,931,278 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at near the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$4,967,160, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 51% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$177,022.

The original cost of the District's capital assets was \$8,718,822. Governmental funds account for \$8,626,871, with the remainder of \$91,951 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the buildings and improvements category, which increased from \$2,730,097 at June 30, 2010 to \$4,432,676 at June 30, 2011 due to the construction project completed during fiscal year 2011.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-</u> <u>2011</u>
Land	\$ 332,167	\$ 332,167	\$ -	\$ -	\$ 332,167	\$ 332,167	0.00%
Buildings and improvements	4,432,676	2,730,097	-	-	4,432,676	2,730,097	62.36%
Site improvements	21,664	14,096	-	-	21,664	14,096	53.69%
Furniture and equipment	<u>135,423</u>	<u>186,320</u>	<u>45,230</u>	<u>18,695</u>	<u>180,653</u>	<u>205,015</u>	-11.88%
Totals	<u>\$4,921,930</u>	<u>\$3,262,680</u>	<u>\$45,230</u>	<u>\$18,695</u>	<u>\$4,967,160</u>	<u>\$3,281,375</u>	51.37%

Long-Term Debt

At June 30, 2011, the District had \$3,632,004 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of "A-" assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4.9 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenue bonds	\$3,425,000	\$ 3,585,000	-4.46%
Capital loan notes	125,000	185,000	-32.43%
Termination benefits	27,813	15,941	74.47%
Net OPEB liability	<u>54,191</u>	<u>27,000</u>	100.71%
Total	<u>\$3,632,004</u>	<u>\$ 3,812,941</u>	-4.75%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- FY11 was the second year of a two-year contract with the Springville Education Teacher Association (SETA). The District will negotiate a new agreement during FY12. The Master Contract language has been negotiated every 2 years in the past; with salaries and benefits negotiated annually. It is uncertain at this time if this will be continued for the FY13 contract. Settlements in excess of "new money" or allowable growth in state funding could have an adverse effect on the District's General Fund budget and related fund balance. The District's "new money" for FY12 is (\$150,205).
- The District's certified enrollment on October 1, 2011 was down 16.9 students from October 1, 2010. In response to this the district is taking the steps necessary to be prepared for the negative impact on the district financially in the 2011/12 school year. The District has declined in enrollment a total of 95 students in the last 5 years. There is potential for growth and the district is hopeful that this decline in enrollment will not continue.
- The District levied \$185,426 in cash reserves for FY10. In anticipation of the 10% State across the board cut the District increased the FY11 cash reserve levy to \$365,957.
- Due to a positive special education balance the District will have a reversion back to the State for the amount of \$147,864 for FY11.
- FY11 is the first year the District entered into an operational sharing agreement with another district for the position of Director of Buildings and Grounds. The District will receive \$59,250 in supplementary weighting dollars in FY12 for this sharing agreement.
- The Springville Board of Education will schedule financial goal setting workshops in FY12 to discuss the District's desired financial solvency ratio and unspent budget authority amount.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacey Matus, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents			
Cash with fiscal agent	\$ 573,386	\$ -	\$ 573,386
Other	2,198,942	42,145	2,241,087
Receivables			
Property tax			
Delinquent	19,263	-	19,263
Succeeding year	1,731,894	-	1,731,894
Accounts receivable	5,803	207	6,010
Income surtax	120,311	-	120,311
Due from other governments	68,218	-	68,218
Due from other funds	-	3,776	3,776
Inventories	-	3,338	3,338
Non-depreciable capital assets	332,167	-	332,167
Capital assets, net of accumulated depreciation	4,589,763	45,230	4,634,993
Total assets	<u>9,639,747</u>	<u>94,696</u>	<u>9,734,443</u>
Liabilities			
Accounts payable	214,648	15,381	230,029
Salaries and benefits payable	305,675	-	305,675
Accrued interest payable	81,476	-	81,476
Due to other fund	3,776	-	3,776
Deferred revenue			
Succeeding year property tax	1,731,894	-	1,731,894
Other	-	3,681	3,681
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	165,000	-	165,000
Capital loan notes payable	60,000	-	60,000
Termination benefits payable	13,940	-	13,940
Portion due after one year			
Revenue bonds payable	3,260,000	-	3,260,000
Capital loan notes payable	65,000	-	65,000
Termination benefits payable	13,873	-	13,873
Net OPEB liability	54,191	-	54,191
Total liabilities	<u>5,969,473</u>	<u>19,062</u>	<u>5,988,535</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$1,371,930	\$ 45,230	\$ 1,417,160
Restricted for			
Categorical funding	85,382	-	85,382
Management levy purposes	141,210	-	141,210
Physical plant and equipment	16,960	-	16,960
Student activities	57,051	-	57,051
School infrastructure	402,632	-	402,632
Debt service	138,916	-	138,916
Unrestricted	<u>1,456,193</u>	<u>30,404</u>	<u>1,486,597</u>
Total net assets	<u>\$3,670,274</u>	<u>\$ 75,634</u>	<u>\$ 3,745,908</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

<u>Functions/Programs</u> Governmental activities	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities Activities Total</u>	
Instruction						
Regular instruction	\$ 1,895,104	\$ 287,407	\$ 482,847	\$ -	\$ (1,124,850)	\$ (1,124,850)
Special instruction	309,793	19,114	97,934	-	(192,745)	(192,745)
Other instruction	305,189	122,576	1,574	-	(181,039)	(181,039)
	<u>2,510,086</u>	<u>429,097</u>	<u>582,355</u>	<u>-</u>	<u>(1,498,634)</u>	<u>(1,498,634)</u>
Support services						
Student	120,275	-	-	-	(120,275)	(120,275)
Instructional staff	83,042	-	-	-	(83,042)	(83,042)
Administration	560,867	-	-	-	(560,867)	(560,867)
Operation and maintenance of plant	386,530	249	-	-	(386,281)	(386,281)
Transportation	136,610	3,021	687	-	(132,902)	(132,902)
Central support	-	-	2,691	-	2,691	2,691
	<u>1,287,324</u>	<u>3,270</u>	<u>3,378</u>	<u>-</u>	<u>(1,280,676)</u>	<u>(1,280,676)</u>
Other expenses						
Facilities acquisition	1,993	-	-	-	(1,993)	(1,993)
Long-term debt interest	170,074	-	-	-	(170,074)	(170,074)
AEA flowthrough	176,060	-	176,060	-	-	-
Depreciation (unallocated) *	108,926	-	-	-	(108,926)	(108,926)
	<u>457,053</u>	<u>-</u>	<u>176,060</u>	<u>-</u>	<u>(280,993)</u>	<u>(280,993)</u>
Total governmental activities	<u>4,254,463</u>	<u>432,367</u>	<u>761,793</u>	<u>-</u>	<u>(3,060,303)</u>	<u>(3,060,303)</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>							
Business type activities							
Non-instructional programs							
Food service operations	\$ 183,450	\$ 166,819	\$ 66,650	\$ -	\$ -	\$ 50,019	\$ 50,019
Preschool program	26,455	13,311	-	-	-	(13,144)	(13,144)
Total business type activities	209,905	180,130	66,650	-	-	36,875	36,875
Total	<u>\$ 4,464,368</u>	<u>\$ 612,497</u>	<u>\$ 828,443</u>	<u>\$ -</u>	<u>(3,060,303)</u>	<u>36,875</u>	<u>(3,023,428)</u>
<u>General Revenues</u>							
Property tax levied for							
General purposes					1,723,784	-	1,723,784
Capital outlay					163,234	-	163,234
Statewide sales, services and use tax					397,146	-	397,146
Unrestricted state grants					1,766,966	-	1,766,966
Contributions and donations					2,450	-	2,450
Unrestricted investment earnings					8,522	4	8,526
Other					3,360	-	3,360
Transfers					(18,242)	18,242	-
Total general revenues and transfers					4,047,220	18,246	4,065,466
Change in net assets					986,917	55,121	1,042,038
Net assets, beginning of year					2,683,357	20,513	2,703,870
Net assets, end of year					\$ 3,670,274	\$ 75,634	\$ 3,745,908

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2011

		Capital Projects		
		Statewide	Nonmajor	
		Sales, Services	Governmental	
	General	and Use Tax	Funds	Total
Assets				
Cash and pooled investments				
Cash with fiscal agent	\$ -	\$ 327,257	\$ 246,129	\$ 573,386
Other	1,931,449	59,969	207,524	2,198,942
Receivables				
Property tax				
Delinquent	15,852	-	3,411	19,263
Succeeding year	1,435,431	-	296,463	1,731,894
Accounts receivable	5,699	-	104	5,803
Income surtax	120,311	-	-	120,311
Due from other governments	29,733	38,287	198	68,218
Due from other funds	16,505	-	47,059	63,564
Total assets	<u>\$3,554,980</u>	<u>\$ 425,513</u>	<u>\$ 800,888</u>	<u>\$4,781,381</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 176,505	\$ 22,881	\$ 15,262	\$ 214,648
Salaries and benefits payable	305,675	-	-	305,675
Due to other funds	41,603	-	25,737	67,340
Deferred revenue				
Succeeding year property tax	1,435,431	-	296,463	1,731,894
Income surtax	120,311	-	-	120,311
Other	41,528	-	-	41,528
Total liabilities	<u>2,121,053</u>	<u>22,881</u>	<u>337,462</u>	<u>2,481,396</u>
Fund balances				
Restricted for				
Categorical funding	85,382	-	-	85,382
School infrastructure	-	402,632	-	402,632
Student activities	-	-	57,051	57,051
Management levy purposes	-	-	169,023	169,023
Physical plant and equipment	-	-	16,960	16,960
Debt service	-	-	220,392	220,392
Unassigned	1,348,545	-	-	1,348,545
Total fund balances	<u>1,433,927</u>	<u>402,632</u>	<u>463,426</u>	<u>2,299,985</u>
Total liabilities and fund balances	<u>\$3,554,980</u>	<u>\$ 425,513</u>	<u>\$ 800,888</u>	<u>\$4,781,381</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2011

Exhibit D

Total fund balances of governmental funds	\$2,299,985
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,921,930
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	161,839
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(81,476)
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Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,632,004)</u>
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Net assets of governmental activities	<u><u>\$3,670,274</u></u>
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SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects <u>Statewide</u>	Nonmajor Governmental	
	<u>General</u>	<u>Sales, Services and Use Tax</u>	<u>Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 1,582,440	\$ 397,146	\$ 313,924	\$ 2,293,510
Tuition	285,147	-	-	285,147
Other	37,344	876	132,332	170,552
State sources	2,283,639	-	-	2,283,639
Federal sources	250,962	-	-	250,962
Total revenues	<u>4,439,532</u>	<u>398,022</u>	<u>446,256</u>	<u>5,283,810</u>
Expenditures				
Current				
Instruction				
Regular	1,832,086	-	23,899	1,855,985
Special	307,526	-	-	307,526
Other	292,123	-	125,602	417,725
	<u>2,431,735</u>	<u>-</u>	<u>149,501</u>	<u>2,581,236</u>
Support services				
Student	119,006	-	-	119,006
Instructional staff	77,947	-	-	77,947
Administration	527,568	-	27,895	555,463
Operation and maintenance of plant	368,252	-	25,891	394,143
Transportation	105,890	-	5,630	111,520
	<u>1,198,663</u>	<u>-</u>	<u>59,416</u>	<u>1,258,079</u>
Other expenditures				
Facilities acquisition	-	1,474,723	223,478	1,698,201
Long-term debt				
Principal	-	-	220,000	220,000
Interest and fiscal charges	-	-	173,429	173,429
AEA flowthrough	176,060	-	-	176,060
	<u>176,060</u>	<u>1,474,723</u>	<u>616,907</u>	<u>2,267,690</u>
Total expenditures	<u>3,806,458</u>	<u>1,474,723</u>	<u>825,824</u>	<u>6,107,005</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 633,074	\$ (1,076,701)	\$ (379,568)	\$ (823,195)
Other financing sources (uses)				
Interfund operating transfers in	1,404	-	394,622	396,026
Interfund operating transfers (out)	<u>(17,929)</u>	<u>(328,152)</u>	<u>(68,187)</u>	<u>(414,268)</u>
Total other financing sources (uses)	<u>(16,525)</u>	<u>(328,152)</u>	<u>326,435</u>	<u>(18,242)</u>
Net change in fund balances	616,549	(1,404,853)	(53,133)	(841,437)
Fund balance, beginning of year, as restated	<u>817,378</u>	<u>1,807,485</u>	<u>516,559</u>	<u>3,141,422</u>
Fund balance, end of year	<u>\$ 1,433,927</u>	<u>\$ 402,632</u>	<u>\$ 463,426</u>	<u>\$ 2,299,985</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit F

Net change in fund balances - total governmental funds \$ (841,437)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 1,830,138	
Depreciation expense	<u>(170,888)</u>	1,659,250

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (15,188)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 220,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	(11,872)	
Other postemployment benefits	<u>(27,191)</u>	(39,063)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,355

Change in net assets of governmental activities \$ 986,917

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2011

Exhibit G

	Nonmajor <u>Enterprise</u>
Assets	
Cash and cash equivalents	\$ 42,145
Accounts receivable	207
Due from other fund	41,603
Inventories	3,338
Capital assets, net of accumulated depreciation	<u>45,230</u>
Total assets	<u>132,523</u>
 Liabilities	
Salaries and benefits payable	15,381
Due to other fund	37,827
Deferred revenue	<u>3,681</u>
Total liabilities	<u>56,889</u>
 Net Assets	
Invested in capital assets	45,230
Unrestricted	<u>30,404</u>
Total net assets	<u><u>\$ 75,634</u></u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit H

	Nonmajor <u>Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$180,130</u>
Operating expenses	
Support services	
Operation and maintenance of plant	<u>3,097</u>
Non-instructional programs	
Food service operations	180,353
Preschool operations	<u>26,455</u>
	<u>206,808</u>
Total operating expenses	<u>209,905</u>
Operating loss	<u>(29,775)</u>
Non-operating revenues	
Interest income	4
State sources	1,590
Federal sources	<u>65,060</u>
Total non-operating revenues	<u>66,654</u>
Net loss before transfers	36,879
Transfers in	18,337
Transfers (out)	<u>(95)</u>
Net income	55,121
Net assets, beginning of year	<u>20,513</u>
Net assets, end of year	<u><u>\$ 75,634</u></u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit I

	Nonmajor Enterprise
Cash flows from operating activities	
Cash received from sale of services	\$ 181,939
Cash payments to employees for services	(108,782)
Cash payments to suppliers for goods and services	(108,172)
Net cash used in operating activities	<u>(35,015)</u>
Cash flows from non-capital financing activities	
Operating transfers in	18,337
Operating transfers (out)	(95)
State grants received	1,590
Federal grants received	55,117
Net cash provided by non-capital financing activities	<u>74,949</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(32,670)</u>
Cash flows from investing activities	
Interest on investments	<u>4</u>
Net increase in cash and cash equivalents	7,268
Cash and cash equivalents, beginning of year	34,877
Cash and cash equivalents, end of year	<u><u>\$ 42,145</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (29,775)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	6,135
Commodities used	12,073
Decrease in accounts receivable	6
(Increase) in due from other fund	(23,928)
(Increase) in inventory	(100)
Increase (decrease) in due to other fund	1,317
Increase (decrease) in accounts payable	(545)
Increase in deferred revenue	1,803
Increase (decrease) in accrued salaries and benefits	(2,001)
Net cash used in operating activities	<u><u>\$ (35,015)</u></u>

Non-cash investing, capital and related financing activities

During the year ended June 30, 2011 the District received \$12,073 of federal commodities.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

Note 1. Summary of Significant Accounting Policies

The Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Springville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Springville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations, respectively of the district.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than twelve months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds, as well as property tax and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and amounts paid by students for meals not yet served.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$141,210 for management levy purposes, \$16,960 for physical plant and equipment, \$138,916 for debt service, \$57,051 for student activities and \$402,632 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$5,413 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major capital projects fund	Non-major governmental fund	
Physical plant and equipment levy	Debt service	\$ 25,737
Non-major special revenue fund	Non-major enterprise fund	
Student activity	Preschool	21,322
Non-major enterprise fund		
Preschool	General	41,603
	Non-major enterprise fund	
General	Preschool	16,505
		<u>\$ 105,167</u>

The Debt Service Fund and Preschool Fund had outstanding warrants issued in excess of the funds' portions of shared bank accounts. Therefore, the negative cash balances are reported as interfund receivables/payables. The Preschool Fund owed General Fund for salaries and benefits paid by General Fund and not reimbursed by Preschool Fund at June 30, 2011. These interfund receivables/payables are expected to be repaid during the year ending June 30, 2011.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Nonmajor special revenue	
	Student activities	\$ 1,324
General	Nonmajor enterprise	
	School nutrition	80
Nonmajor governmental	Capital projects	
Debt service	Statewide sales, service and use tax	328,152
Nonmajor governmental	Nonmajor capital projects	
Debt service	Physical plant and equipment levy	66,470
Nonmajor enterprise		
School nutrition	General	154
Nonmajor enterprise	Nonmajor special revenue	
School nutrition	Student activities	393
Nonmajor enterprise	Nonmajor enterprise	
School nutrition	Preschool	15
Nonmajor enterprise		
Preschool	General	<u>17,775</u>
		<u>\$ 414,363</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Physical Plant and Equipment Levy Fund and Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for payment of principal and interest on debt. The other transfers were to correct miscoding of expenditures.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 332,167	\$ -	\$ -	\$ 332,167
Capital assets being depreciated:				
Buildings and improvements	5,131,143	1,808,803	-	6,939,946
Site improvements	15,450	8,038	-	23,488
Furniture and equipment	<u>1,317,973</u>	<u>13,297</u>	-	<u>1,331,270</u>
Total capital assets being depreciated	<u>6,464,566</u>	<u>1,830,138</u>	-	<u>8,294,704</u>

Less accumulated depreciation for:				
Buildings and improvements	2,401,046	106,224	-	2,507,270
Site improvements	1,354	470	-	1,824
Furniture and equipment	<u>1,131,653</u>	<u>64,194</u>	<u>-</u>	<u>1,195,847</u>
Total accumulated depreciation	<u>3,534,053</u>	<u>170,888</u>	<u>-</u>	<u>3,704,941</u>
Total capital assets being depreciated, net	<u>2,930,513</u>	<u>1,659,250</u>	<u>-</u>	<u>4,589,763</u>
Governmental activities capital assets, net	<u>\$ 3,262,680</u>	<u>\$ 1,659,250</u>	<u>\$ -</u>	<u>\$ 4,921,930</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 59,282	\$ 32,669	\$ -	\$ 91,951
Less accumulated depreciation	<u>40,587</u>	<u>6,134</u>	<u>-</u>	<u>46,721</u>
Business type activities capital assets, net	<u>\$ 18,695</u>	<u>\$ 26,535</u>	<u>\$ -</u>	<u>\$ 45,230</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 21,172
Other	4,385
Support services	
Instructional staff	4,789
Administration	773
Operation and maintenance of plant	6,456
Transportation	<u>24,387</u>
	61,962
Unallocated depreciation	<u>108,926</u>
Total governmental activities depreciation expense	<u>\$170,888</u>

Business type activities

Food services	<u>\$ 6,134</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$3,585,000	\$ -	\$(160,000)	\$3,425,000	\$165,000
Capital loan notes	185,000	-	(60,000)	125,000	60,000
Early retirement	15,941	20,809	(8,937)	27,813	13,940
Net OPEB liability	<u>27,000</u>	<u>27,191</u>	<u>-</u>	<u>54,191</u>	<u>-</u>
Totals	<u>\$3,812,941</u>	<u>\$48,000</u>	<u>\$(228,937)</u>	<u>\$3,632,004</u>	<u>\$238,940</u>

Interest costs incurred and charged to expense on all long-term debt was \$170,074 for the year ended June 30, 2011. During the year ended June 30, 2011, the District made principal payments on total long-term debt of \$220,000.

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year	Bond issue of June 25, 2009			
Ending	Interest			
June 30,	Rates	Interest	Principal	Total
2012	4.00%	\$ 158,957	\$ 165,000	\$ 323,957
2013	4.00%	152,258	170,000	322,258
2014	4.00%	146,457	120,000	266,457
2015	4.00%	141,557	125,000	266,557
2016	4.00%	136,357	135,000	271,357
2017-2021	3.75-4.375%	594,682	760,000	1,354,682
2022-2026	4.5-5.0%	398,068	975,000	1,373,068
2027-2030	5.0-5.5%	<u>110,963</u>	<u>975,000</u>	<u>1,085,963</u>
Totals		<u>\$1,839,299</u>	<u>\$3,425,000</u>	<u>\$5,264,299</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,585,000 of bonds issued in June 2011. The bonds were issued to finance upgrades to the HVAC system at the buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,264,299. For the current

year, \$160,000 of principal and \$165,457 of interest was paid on the bonds and statewide sales, services and use tax revenues was \$397,146.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$327,257 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2011.

Capital Loan Notes

On June 18, 2004, the District issued capital loan notes in the amounts of \$550,000. Proceeds of the notes were used for improvements to the heating and cooling system at the elementary building. The capital loan notes are scheduled to be repaid as follows:

Year				
Ending	Interest			
June 30,	Rate	Principal	Interest	Total
2012	3.25%	\$ 60,000	\$ 4,160	\$ 64,160
2013	3.40%	65,000	2,210	67,210
Totals		<u>\$125,000</u>	<u>\$ 6,370</u>	<u>\$131,370</u>

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees are required to be at least 55 years of age and have completed 15 years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-half of the employee's salary for the year in which he/she applies to participate in the early retirement plan. The retiree receives the early retirement benefits in three equal payments with the first payment being made on or before July 2 in the calendar year in which the employee is approved for early retirement. The retiree may elect to leave their benefit in the Management Fund to be used to pay the retiree's medical insurance until the benefit is completely used.

At June 30, 2011, the District had obligations to three participants with a total liability of \$27,813. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$8,937.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$140,163, \$142,110 and \$138,604, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active, and 5 retired members in the plan. Participants must be age 61 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,215
Adjustment to annual required contribution	<u>(1,024)</u>
Annual OPEB cost	50,191
Contributions made	<u>(23,000)</u>
Increase in net OPEB obligation	27,191
Net OPEB obligation beginning of year	<u>27,000</u>
Net OPEB obligation end of year	<u>\$ 54,191</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 50,000	46.0%	\$ 27,000
2011	50,191	45.8%	\$ 54,191

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$290,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$290,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2 million and the ratio of UAAL to covered payroll was 14.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$176,060 adjusting entry to the cash basis financial statements.

Note 11. Deficit Balances

The District's Preschool Fund had a net asset deficit of \$772 at June 30, 2011.

Note 12. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 13. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	
Gifted and Talented	\$ 27,897
Beginning teacher mentoring and induction program	1,546
Teacher salary supplement	24,121
Administrator mentoring	750
Statewide voluntary preschool	23,904
Educator quality, professional development for model core curriculum	6,454
Educator quality, professional development	<u>710</u>
	<u>\$ 85,382</u>

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue</u>
	<u>Physical Plant and Equipment Levy</u>	<u>Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 142,430
Change in fund type classification per implementation of GASB Statement No. 54	<u>142,430</u>	<u>(142,430)</u>
Balances July 1, 2010, as restated	<u>\$ 142,430</u>	<u>\$ -</u>

Note 15. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial

statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

- GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements

– and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District’s management has not yet determined the effect these Statements will have on the District’s financial statements.

Required Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$2,749,209	\$180,134	\$2,929,343	\$3,097,062	\$3,097,062	\$ (167,719)
State sources	2,283,639	1,590	2,285,229	2,465,907	2,465,907	(180,678)
Federal sources	250,962	65,060	316,022	205,000	205,000	111,022
Total revenues	<u>5,283,810</u>	<u>246,784</u>	<u>5,530,594</u>	<u>5,767,969</u>	<u>5,767,969</u>	<u>(237,375)</u>
Expenditures/Expenses						
Instruction	2,581,236	-	2,581,236	3,485,550	3,485,550	904,314
Support services	1,258,079	3,097	1,261,176	1,953,762	1,953,762	692,586
Non-instructional programs	-	206,808	206,808	282,704	282,704	75,896
Other expenditures	2,267,690	-	2,267,690	1,995,172	2,526,172	258,482
Total expenditures/expenses	<u>6,107,005</u>	<u>209,905</u>	<u>6,316,910</u>	<u>7,717,188</u>	<u>8,248,188</u>	<u>1,931,278</u>
Deficiency of revenues under expenditures/expenses	(823,195)	36,879	(786,316)	(1,949,219)	(2,480,219)	1,693,903
Net other financing sources	<u>(18,242)</u>	<u>18,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(841,437)	55,121	(786,316)	(1,949,219)	(2,480,219)	1,693,903
Balance, beginning of year	3,141,422	20,513	3,161,935	2,508,544	2,508,544	653,391
Balance, end of year	<u>\$2,299,985</u>	<u>\$ 75,634</u>	<u>\$2,375,619</u>	<u>\$ 559,325</u>	<u>\$ 28,325</u>	<u>\$2,347,294</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. The District did not amend its budget during the year ended June 30, 2009.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$531,000.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$290,000	\$290,000	\$ -	\$2,205,110	13.2%
2011	July 1, 2009	-	290,000	290,000	-	2,001,711	14.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>		
			<u>Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
Assets	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Cash and pooled investments					
Cash with fiscal agent	\$ -	\$ -	\$ -	\$246,129	\$246,129
Other	37,797	167,292	2,435	-	207,524
Receivables					
Property tax					
Delinquent	-	1,637	1,774	-	3,411
Succeeding year	-	125,000	171,463	-	296,463
Accounts receivable	104	-	-	-	104
Due from other governments	-	95	103	-	198
Due from other funds	21,322	-	25,737	-	47,059
Total assets	<u>\$59,223</u>	<u>\$294,024</u>	<u>\$201,512</u>	<u>\$246,129</u>	<u>\$800,888</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,172	\$ 1	\$ 13,089	\$ -	\$ 15,262
Due to other funds	-	-	-	25,737	25,737
Deferred revenue					
Succeeding year property tax	-	125,000	171,463	-	296,463
Total liabilities	<u>2,172</u>	<u>125,001</u>	<u>184,552</u>	<u>25,737</u>	<u>337,462</u>
Fund balances					
Restricted for					
Student activities	57,051	-	-	-	57,051
Management levy purposes	-	169,023	-	-	169,023
Physical plant and equipment	-	-	16,960	-	16,960
Debt service	-	-	-	220,392	220,392
Total fund balances	<u>57,051</u>	<u>169,023</u>	<u>16,960</u>	<u>220,392</u>	<u>463,426</u>
Total liabilities and fund balances	<u>\$59,223</u>	<u>\$294,024</u>	<u>\$201,512</u>	<u>\$246,129</u>	<u>\$800,888</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
			<u>Physical Plant and Equipment</u>	<u>Debt Service</u>	<u>Total</u>
Revenues	<u>Student Activity</u>	<u>Management Levy</u>	<u>Levy</u>		
Local sources					
Local taxes	\$ -	\$150,690	\$163,234	\$ -	\$313,924
Other	121,871	7,860	1,244	1,357	132,332
Total revenues	<u>121,871</u>	<u>158,550</u>	<u>164,478</u>	<u>1,357</u>	<u>446,256</u>
Expenditures					
Current					
Instruction					
Regular	-	23,899	-	-	23,899
Other	125,602	-	-	-	125,602
Total instruction	<u>125,602</u>	<u>23,899</u>	<u>-</u>	<u>-</u>	<u>149,501</u>
Support services					
Administration	-	27,895	-	-	27,895
Operation and maintenance of plant	-	25,891	-	-	25,891
Transportation	-	5,630	-	-	5,630
Total support services	<u>-</u>	<u>59,416</u>	<u>-</u>	<u>-</u>	<u>59,416</u>
Other expenditures					
Facilities acquisition	-	-	223,478	-	223,478
Long-term debt					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	173,429	173,429
Total other expenditures	<u>-</u>	<u>-</u>	<u>223,478</u>	<u>393,429</u>	<u>616,907</u>
Total expenditures	<u>125,602</u>	<u>83,315</u>	<u>223,478</u>	<u>393,429</u>	<u>825,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,731)</u>	<u>75,235</u>	<u>(59,000)</u>	<u>(392,072)</u>	<u>(379,568)</u>
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	394,622	394,622
Interfund operating transfers (out)	(1,717)	-	(66,470)	-	(68,187)
Total other financing sources (uses)	<u>(1,717)</u>	<u>-</u>	<u>(66,470)</u>	<u>394,622</u>	<u>326,435</u>
Net change in fund balances	(5,448)	75,235	(125,470)	2,550	(53,133)
Fund balances, beginning of year, as restated	62,499	93,788	142,430	217,842	516,559
Fund balances, end of year	<u>\$ 57,051</u>	<u>\$169,023</u>	<u>\$ 16,960</u>	<u>\$220,392</u>	<u>\$463,426</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011

Schedule 3

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$42,145	\$ -	\$42,145
Accounts receivable	207	-	207
Due from other fund	-	41,603	41,603
Inventories	3,338	-	3,338
Capital assets, net of accumulated depreciation	45,230	-	45,230
Total assets	<u>90,920</u>	<u>41,603</u>	<u>132,523</u>
Liabilities			
Salaries and benefits payable	10,833	4,548	15,381
Due to other fund	-	37,827	37,827
Deferred revenue	3,681	-	3,681
Total liabilities	<u>14,514</u>	<u>42,375</u>	<u>56,889</u>
Net Assets			
Invested in capital assets	45,230	-	45,230
Unrestricted	31,176	(772)	30,404
Total net assets	<u>\$76,406</u>	<u>\$ (772)</u>	<u>\$75,634</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 166,819	\$ 13,311	\$180,130
Operating expenses			
Support Services			
Operation and maintenance of plant			
Purchased services	884	-	884
Supplies	2,213	-	2,213
	<u>3,097</u>	<u>-</u>	<u>3,097</u>
Non-instructional programs			
Salaries	61,443	18,669	80,112
Benefits	16,365	7,698	24,063
Purchased services	3,885	-	3,885
Supplies	92,525	88	92,613
Depreciation	6,135	-	6,135
	<u>180,353</u>	<u>26,455</u>	<u>206,808</u>
Total operating expenses	<u>183,450</u>	<u>26,455</u>	<u>209,905</u>
Operating loss	<u>(16,631)</u>	<u>(13,144)</u>	<u>(29,775)</u>
Non-operating revenue			
Interest income	4	-	4
State sources	1,590	-	1,590
Federal sources	65,060	-	65,060
Total non-operating revenue	<u>66,654</u>	<u>-</u>	<u>66,654</u>
Net income (loss) before transfers	50,023	(13,144)	36,879
Transfers in	562	17,775	18,337
Transfers (out)	<u>(80)</u>	<u>(15)</u>	<u>(95)</u>
Net income	50,505	4,616	55,121
Net assets, beginning of year	25,901	(5,388)	20,513
Net assets, end of year	<u>\$ 76,406</u>	<u>\$ (772)</u>	<u>\$ 75,634</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2011

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$168,628	\$ 13,311	\$181,939
Cash payments to employees for services	(77,799)	(30,983)	(108,782)
Cash payments to suppliers for goods and services	<u>(108,084)</u>	<u>(88)</u>	<u>(108,172)</u>
Net cash used in operating activities	<u>(17,255)</u>	<u>(17,760)</u>	<u>(35,015)</u>
Cash flows from non-capital financing activities			
Operating transfers in	562	17,775	18,337
Operating transfers (out)	(80)	(15)	(95)
State grants received	1,590	-	1,590
Federal grants received	<u>55,117</u>	<u>-</u>	<u>55,117</u>
Net cash provided by non-capital financing activities	<u>57,189</u>	<u>17,760</u>	<u>74,949</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(32,670)</u>	<u>-</u>	<u>(32,670)</u>
Cash flows from investing activities			
Interest on investments	<u>4</u>	<u>-</u>	<u>4</u>
Net increase in cash and cash equivalents	7,268	-	7,268
Cash and cash equivalents, beginning of year	34,877	-	34,877
Cash and cash equivalents, end of year	<u>\$ 42,145</u>	<u>\$ -</u>	<u>\$ 42,145</u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$ (16,631)	\$ (13,144)	\$ (29,775)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	6,135	-	6,135
Commodities used	12,073	-	12,073
Decrease in accounts receivable	6	-	6
(Increase) in due from other fund	-	(23,928)	(23,928)
(Increase) in inventory	(100)	-	(100)
Increase (decrease) in due to other fund	(20,005)	21,322	1,317
Increase (decrease) in accounts payable	(545)	-	(545)
Increase in deferred revenue	1,803	-	1,803
Increase (decrease) in accrued salaries and benefits	<u>9</u>	<u>(2,010)</u>	<u>(2,001)</u>
Net cash used in operating activities	<u>\$ (17,255)</u>	<u>\$ (17,760)</u>	<u>\$ (35,015)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011 the District received \$12,073 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of Year
Cross country	\$ 88	\$ 76	\$ -	\$ 164
Boys basketball	411	5,363	3,100	2,674
Football	1,060	8,642	4,418	5,284
Boys baseball	127	101	100	128
Boys track	393	1	248	146
Boys golf	38	41	-	79
Wrestling	30	76	-	106
Girls basketball	1,476	4,142	4,376	1,242
Girls volleyball	3,446	5,605	7,741	1,310
Girls softball	107	1,366	216	1,257
Girls track	41	2,585	2,588	38
Gate money	7,685	37,009	41,514	3,180
Activities director	241	2	-	243
Weight room	156	-	140	16
Cheerleading	1,029	3,339	3,844	524
Vocal resale	2,729	2,371	4,074	1,026
HS instrumental	90	10,559	9,433	1,216
Supply store	1,219	5	475	749
Elementary art club	4,636	248	1,313	3,571
Pictures	1,028	3,304	2,029	2,303
Jump Rope for Heart	121	702	701	122
Student senate - elementary	103	72	-	175
Fine arts	1,801	5	1,042	764
Elementary yearbook	90	1,734	1,712	112
Elementary instrumental resale	602	425	275	752
Book fair	3,588	3,717	3,646	3,659
Drama	1,940	257	307	1,890
Art club	1,711	36	-	1,747
Pictures	494	663	693	464
Garden project	412	3	-	415
MS Science Club	42	202	-	244
Lego League	1,378	9	-	1,387
School cents	7,558	8,779	15,653	684

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance, End of <u>Year</u>
Yearbook	\$ 5,585	\$ 2,628	\$ 3,550	\$ 4,663
Student senate - MS	995	133	-	1,128
Student senate - HS	1,456	520	739	1,237
Class of 2010	169	1	-	170
Class of 2011	3,501	8	2,321	1,188
Class of 2012	862	9,015	5,599	4,278
Class of 2013	293	2	-	295
Class of 2014	1,186	8	-	1,194
Class of 2015	489	652	481	660
Class of 2016	288	603	-	891
Class of 2017	-	507	-	507
2nd grade - Wittenburg	-	1,107	142	965
Middle school social studies	-	967	578	389
Middle school science	493	3	-	496
Instrument repair	1,312	7	-	1,319
Benefit	-	4,271	4,271	-
Totals	<u>\$ 62,499</u>	<u>\$ 121,871</u>	<u>\$ 127,319</u>	<u>\$ 57,051</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

Schedule 7

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues								
Local sources								
Local tax	\$2,293,510	\$2,275,398	\$2,129,621	\$2,023,376	\$1,433,756	\$1,294,457	\$1,235,683	\$1,163,863
Tuition	285,147	349,221	305,429	397,711	363,863	329,805	315,579	299,433
Other	170,552	174,992	237,613	221,034	192,006	151,998	124,320	115,037
State sources	2,283,639	1,960,731	2,273,695	2,380,698	2,318,082	2,246,880	2,083,190	1,967,842
Federal sources	250,962	298,143	169,611	105,700	143,883	85,608	64,116	82,265
Total revenues	<u>\$5,283,810</u>	<u>\$5,058,486</u>	<u>\$5,115,969</u>	<u>\$5,128,519</u>	<u>\$4,451,590</u>	<u>\$4,108,748</u>	<u>\$3,822,888</u>	<u>\$3,628,440</u>
Expenditures								
Current								
Instruction								
Regular	\$1,855,985	\$1,972,472	\$1,957,702	\$2,079,241	\$1,975,600	\$1,690,720	\$1,723,222	\$1,729,933
Special	307,526	425,680	477,178	379,056	391,669	388,496	426,064	365,774
Other	417,725	271,551	465,028	439,642	353,886	350,761	368,467	239,802
Support services								
Student	119,006	100,736	99,912	84,957	62,375	55,388	15,750	15,448
Instructional staff	77,947	109,824	124,337	166,948	150,601	156,447	165,882	116,071
Administration	555,462	517,238	531,365	504,787	472,893	428,280	437,637	487,216
Operation and maintenance of plant	394,143	369,381	374,395	404,437	367,717	355,078	343,560	296,785
Transportation	111,520	123,553	131,807	217,194	148,735	113,893	92,258	94,145
Other expenditures								
Facilities acquisition	1,698,201	2,531,340	213,318	45,821	20,821	84,260	43,784	322,540
Long-term debt	-							
Principal	220,000	185,000	180,000	180,000	170,000	175,000	165,000	155,000
Interest and other charges	173,429	99,822	71,134	20,345	23,580	26,504	31,081	74,673
AEA flowthrough	176,060	175,015	164,655	164,079	154,878	146,014	133,842	133,943
Total expenditures	<u>\$6,107,004</u>	<u>\$6,881,612</u>	<u>\$4,790,831</u>	<u>\$4,686,507</u>	<u>\$4,292,755</u>	<u>\$3,970,841</u>	<u>\$3,946,547</u>	<u>\$4,031,330</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3

Muscatine, Iowa 52761

563-264-1385

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 27, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Springville Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Springville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Springville Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal

control described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

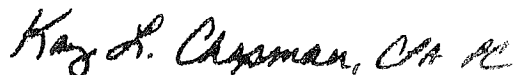
As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Springville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Springville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Springville Community School District and other parties to whom Springville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Springville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
February 27, 2012

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROLS DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed incompatible duties. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted \$4,271 of expenditures in the Student Activity Fund that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. The District held a benefit for and donated the proceeds to a staff member. The revenue and expenditures were accounted for in the District's Student Activity Fund.

Recommendation - The District should ensure that all expenditures meet the test of public purpose as defined by an Attorney General's opinion dated April 25, 1979.

Response - We will be more attentive of this in the future and ensure that all expenditures are appropriate and meet the test of public purpose as defined in the

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Response - We will be more attentive of this in the future and ensure that all expenditures are appropriate and meet the test of public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Conclusion - Response accepted.

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2010 was understated. The District's certified enrollment count omitted one resident special education student from its certified resident count.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management, as recommended.

Conclusion - Response accepted.

8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

11. Financial Condition - The District's Enterprise Fund, Preschool Fund had a net assets deficit of \$772 at June 30, 2011.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - We will review this situation and implement changes, as needed.

Conclusion - Response accepted.

12. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

13. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,807,485
Revenues		
Statewide sales and services tax revenue	\$ 397,146	
Other local revenues	<u>876</u>	398,022
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 1,474,723	
Debt service for school infrastructure		
Revenue debt	<u>328,152</u>	<u>1,802,875</u>
Ending balance		<u>\$ 402,632</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

14. Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and the Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The revenue from the School Cents program and expenditures for the sound system reported in the Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify these accounts to the appropriate fund. The School Cents program revenue should be reported in the General Fund and the sound system expenditures should be reported in one of the Capital Projects Funds.

Response - We will reclassify these transactions to the appropriate funds, as recommended and be more attentive of the appropriateness of transactions in the Student Activity Fund in the future.

Conclusion - Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2011

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant